



Investor &  
analyst call –  
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Company participants

- José Manuel Inchausti Pérez, MAPFRE, First Vice Chairman of the Board of Directors
- José Luis Jiménez, MAPFRE, CFO
- Felipe Navarro López de Chicheri, MAPFRE, Deputy General Manager – Finance Area
- Leandra Clark, MAPFRE, Head of Investor Relations

## **Presentation**

### **Leandra Elizabeth Clark**

Good afternoon, and welcome to MAPFRE's Activity Update for the First Quarter of 2025. This is Leandra Clark, Head of Investor Relations. Thank you for joining us today. We have here with us José Manuel Inchausti, first Vice President of MAPFRE, who will make a few opening remarks and will give an overview of recent business trends. Later, José Luis Jiménez, the Group's CFO, will comment on the main financials; and Felipe Navarro, Deputy General Manager of the Finance area, will walk us through the balance sheet and 2024 embedded value figures, which were also released this morning on our website.

Just as a reminder, this information is prepared under the local accounting policies applicable in each country. You can use the Ask a Question link at any point during the call, and we will open up the Q&A at the end of the presentation.

I will now hand the floor over to José Manuel Inchausti.

### **José Manuel Inchausti**

Thank you, Leandra. Good afternoon, everyone. Thank you for your time today. Let me share some of the highlights of the quarter before José Luis and Felipe walk you through the details. Last year was a record year for MAPFRE and I am happy to announce we have started 2025 in an excellent position with the first quarter figures in line with the updated targets we announced at the AGM. As the Chairman stated, these excellent results confirm our positive outlook for the year with improved ratios and more balanced sources of income and profit. Growth remains solid in most markets.

Recent exchange rate volatility is affecting the top line, but premiums are still growing by 5.4% reaching EUR8.6 billion. Excluding life savings, which is a more volatile business, they are growing nearly 6% in line with our target. Profitability continues to improve with the Non-life combined ratio at 94%, down nearly 2 points with significant reductions, both in the claims and expense ratio. The net result is up nearly 28% reaching EUR276 million with an adjusted ROE of 12.8%. Our capital base remains strong despite market volatility with shareholders' equity at EUR8.4 billion and the solvency ratio at 207% at year end, above the midpoint of our target range.

Our privileged business profile with a high degree of diversification and a very prudent approach to investment management is helping mitigate the impact of this volatility. The implementation of our strategic plan is on track and our core businesses are all performing well. In Iberia, we have made significant advances in technical management and the motor combined ratio has improved by over 7 points reaching around 98% and we expect it to continue improving in the coming quarters. Overall, Iberia has made an excellent contribution with EUR121 million, up 66%, thanks to its diversified business mix with the motor business now in positive territory as well as strong results in general P&C and the life business.

In LATAM, performance has been excellent with most countries now with combined ratios below 100% and improving, except in hyperinflationary markets. Brazil has had an

excellent quarter with a net result of EUR62 million and there have also been important contributions from Mexico, Peru and Colombia. The Life business is highly profitable and Non-Life business has improved significantly and financial income continues to be a tailwind. The region reported a total result of EUR118 million, up 25%. The largest challenge we are facing right now is currency volatility, which has increased in the last few weeks. We have lived through other similar periods in the past and are confident that our diversified business model will continue to prove resilient.

North America is reporting one of the highest first quarter profits ever with EUR30 million, up 94%. Technical measures are paying off with a relevant improvement in motor with the combined ratio under 97% and solid profitability in general P&C. Finally, MAPFRE RE continues to show solid performance. Growth has been excellent this year and MAPFRE RE's prudent approach to underwriting, diversification and retrocession continue to deliver results. We faced a large claim in the quarter due to the California wildfires, one of the costliest events in the history of the US with a net impact of EUR85 million after retrocession, tax and minorities.

Our reserves continue in the upper end of our confidence interval and we increased prudence even further during the quarter. That was due to a conservative approach in the face of an ongoing rise in secondary perils over the last few years in particular storms in Europe and in advance of the North Atlantic hurricane season. Results were resilient with a net result of EUR48 million and a combined ratio under 98%. In conclusion, our core businesses are delivering exceptional figures supported by a focus on technical excellence, diversification and tailwinds from financial income. These outstanding results are backed by a long-term strategy focused on profitability, growth, technical excellence and diversification as set out in our 2024-2026 strategic plan.

Now I will hand the floor over to José Luis to walk us through the main figures. Please.

#### **José Luis Jiménez Guajardo-Fajardo**

Thank you, José Manuel. As mentioned, premiums are up over 5% with a nearly 3 Point drag from currency movements as we continue to see headwinds from the Brazilian real, the Mexican peso and other Latin American currencies. At constant exchange rates, premiums are up 8% with growth in most line of business. Non-Life which is around 80% of our business continues to be supported by tariff adjustments. Premiums are growing almost 10% at constant exchange rates over 7% in euros reaching nearly EUR6.8 billion. Performance in the accident and health line has been noteworthy, up 5.5%. General P&C is growing nearly 4%, while motor is growing over 3% reflecting our risk appetite. Reinsurance is having an excellent year, up over 7%. The Life business which is around 20% of premiums is down 1.5% in euros with a drag from the Brazilian real. In local currency, premiums are growing 2.4%.

I will now discuss the key trends by region complementing the figures already provided by José Manuel. In Iberia, total premiums are growing around 3% with Non-Life up over 5% with strong trends in most lines of business. Life premiums are down around 3%, which I will explain later. The combined ratio has improved over 4 points to 95.6%. The higher returns on the investment portfolio continue to boost the financial result. The return on equity is now approaching 13%. Profitability in LATAM has been excellent with a return on equity around 18%. Both the Non-Life and Life businesses are contributing very positively

and financial income remains a tailwind. Brazil continues to see exceptional profitability posting a return on equity of around 26% and a net result of EUR62 million with improved technical ratios and high investment returns. The Non-Life combined ratio is around 76%. Premiums are down 12% with a strong impact from the Brazilian real. In local currency, business volumes were flat with Life and Agro segment still affected by the rise in interest rates. Other LATAM continues to show strong profitability contributing over EUR56 million, up 68% with improvements in technical results in most markets with an almost 5% reduction in the combined ratio, to 95%. Premiums are up over 10% in euros with a strong growth in local currency in almost all countries in the region.

In North America, the net result reached EUR30 million nearly double compared to last year, driven by underwriting measures and significant tariff increases. The combined ratio has decreased over 3 points now at 97.4%. In EMEA, losses have been reduced significantly from EUR9 million last year to around breakeven this quarter with an 11 point reduction in the combined ratio. There have been noteworthy improvements in motor in Germany and Italy, thanks to technical measures. Regarding MAPFRE RE, José Manuel has already gone over the main figures and the impacts from the fire, which were EUR85 million net, EUR136 million gross.

I would like to comment that the reinforcements of our reserves had a 1.5 point impact on the combined ratio. Finally, MAWDY continues to contribute positively. I would also like to address two specific items. There has been lower hyperinflation adjustment from around EUR25 million last year to EUR9.5 million this quarter mainly in Argentina. And second, last year, there was a EUR15 million positive tax impact, which affected the holding. Overall profitability levels in General P&C are excellent benefiting from technical discipline, strong market positions and diversification across our different markets. Premiums are up nearly 4%. The combined ratio is excellent around 84% and the net result was EUR87 million.

In Iberia, premiums have risen by 8% with growth in most segments and exceptional performance in commercial lines. The combined ratio was 96.7% and the result was EUR27 million, down due to reserve strengthening mainly in burial as well as large claims in commercial lines. On the other hand, we are seeing solid and improving trends in homeowners. In Brazil, premiums are down around 8% in euros, but nearly 5% in local currency. Agriculture Issuance is still affected by the high interest rate environment and falling commodity prices. The net result is EUR37 million, up around 5% and the combined ratio has improved to 68%. This excellent level is supported by a solid Agro ratio, although slightly up and strong performance in other retail lines as well as the lack of relevant events.

In North America, premiums continue to grow around 5% supported by tariff adjustment. The net result stands at EUR6.5 million, up 5.5% compared to last year. Regarding the motor segment, first-quarter results confirmed previous trends showing a huge turnaround. The combined ratio is now around 99% with a 6 point improvement year-on-year and the net result has reached more than EUR50 million compared to a little under EUR13 million in losses last year. In Iberia, the combined ratio is now at around 98% and we expect it to continue improving throughout the year. Premiums are growing 4% and reflect average premium growth of 7.5%.

In Brazil, premiums are down mainly due to the currency depreciation. The combined ratio is slightly up to 102.5% in line with increases in interest rates, which are helping reach a net profit of EUR3 million. In North America, the result reached EUR21 million, up nearly 190% with a combined ratio down 5 points to under 97%. Regarding other business units, performance in Other LATAM has also been excellent with all units now reporting combined ratios below 100% with exception of Argentina. In EMEA, the combined ratio is also significantly down from 124% to 112%.

In conclusion, the technical measures implemented are now clearly paying off and these trends will continue improving throughout the year. The Life business contributed EUR70 million to the result with Iberia being the largest contributor followed by LATAM. In Iberia, total premiums are down 3% affected by the lower level of Life saving group policies. Protection premiums are up over 3% with the combined ratio standing at an excellent 64.5%. Portfolio yields continue contributing to the financial result with lower realized gains. The net result was EUR32 million. In Brazil, premiums are down around 19% impacted by the currency as well as the high interest rate, which affect lending and related insurance sales. The net result was EUR17 million, very much in line with last year with the protection combined ratio at 83%. Regarding the rest of the countries, volumes are up over 20% led by Other LATAM. Performance in both Mexico and Malta has been noteworthy growing 20% and 30%. The result reached EUR21 million.

Now I will hand over to Felipe to discuss the main balance sheet items.

#### **Felipe Navarro López de Chicheri**

Thank you very much, José Luis. Shareholders' equity stands strong at around EUR8.4 billion, down 1.5% due to negative conversion differences mainly from the US dollar with a EUR80 million impact. The net and realized capital gains had a negligible impact during the quarter. Leverage was 22.5% below the 24% framework we announced at our AGM reflecting our disciplined approach to capital and debt management. On the top right, we have included the 2024 embedded value figures where we are now using the CSM net of tax under IFRS for the multiyear business. Embedded value is down 4.6% to over EUR7 billion impacted by the Brazilian real.

The value of in force of the business is down 5.8%, but adjusted for exchange rate movements was only slightly down and the total embedded value would be relatively flat. Return on embedded value was over 11% with a positive contribution of new business from the Life protection in Brazil, Iberia and other LATAM as well as the burial business in Iberia. Total assets under management stand at over EUR59 billion in line with the end of last year. We have almost EUR14 billion in third- party assets making one of the leading non-bank players in Spain. Our investment portfolio reached nearly EUR46 billion with assets allocation stable during the year.

The portfolio is defensive and well diversified with a high share of government bonds. 50% of the portfolio and the Spanish govie remains our largest exposure with EUR9.6 billion. Our position in corporate bonds and equities is conservative. Our credit portfolio focuses on investment grade. The portfolio is highly liquid, and we follow strict ALM policy, which mitigates interest rate risk. In summary, our portfolio's defensive nature, high liquidity and focus on quality and diversification allows us to confidently navigate the current market environment. On the left, you can see our main fixed income portfolios. I will focus on the actively managed ones, which are not immunized or cash flow matched.

Regarding the euro area, yields are up over 20 basis points since the year end and MAPFRE RE and relatively flat in Iberia. If we exclude linkers, the yields in the Non-Life portfolios will be around 50 basis points higher. Accounting yields are still below the current market levels in most portfolios and duration is lower. In other markets, accounting yields in Brazil are significantly up over 150 basis points with the portfolio yield approaching 12%. In Other LATAM and North America, yields have been stable and still below market rates with room to reinvest at higher returns.

Regarding Non-Life net financial income, it is up 4% with MAPFRE RE and Iberia significantly increasing on the back of higher yields and capital gains. Other LATAM has been affected by the situation in Argentina where inflation linked investment yields and forex gains are down. This has been compensated by improving hyperinflation adjustments. On the right, you can see net financial gains. We reached EUR22 million, up over EUR10 million year-on-year. Iberia was the largest contributor with EUR19 million, the majority coming from the Non -Life business.

Now I will hand the floor over to José Manuel to make a few closing remarks.

### **José Manuel Inchausti Pérez**

Thank you very much, Felipe. As you have seen, we have had an excellent start to the year. We can now confirm that we are witnessing a clear recovery in the Iberia motor market while other markets are performing well or improving. Diversification continues to be one of our strongest assets. This is proof of the sustainability of our business model with diversified and balanced sources of income. Financial income remains a tailwind, and our balance sheet is resilient. We have been navigating geopolitical instability over the last few years. Recent developments have added a new level of complexity and uncertainty to the global outlook.

Higher barriers to trade could lead to higher recession risk and a spike in inflation, but the insurance sector tends to be countercyclical in the short-term. We are well prepared to face this constantly changing global context. Market volatility has been high over the last few weeks, but we feel very confident in the strength of our balance sheet. Our investment portfolio is well diversified. Solvency is high and very stable. It is early in the year, but we are confident that we are on the right track to meet the updated financial targets we announced

at our AGM in March.

Now I will hand the floor over to Leandra to begin the Q&A.

## **Q&A**

### **Leandra Elizabeth Clark**

Thank you, José Manuel. As a reminder, you can use the Q&A tool on the bottom of your screen. We will organize the questions by topic and answer them as time allows. We've already received quite a bit of questions, so we're going to start first with Brazil. Juan Pablo from Santander is asking, how do you see premiums evolving during the year? Do you expect a recovery in the next quarters? And what is your outlook on claims and combined ratio?

### **José Luis Jiménez Guajardo-Fajardo**

Ok. Thank you very much, Carlos and Juan Pablo regarding your questions. Probably in Brazil, probably it's quite difficult to say what's going to happen in this high level of uncertainty that we have during the last weeks. But it's true that we expect the combined ratio to be around those levels. Probably we are saying in different roadshows and meetings that probably the most probable outcome is that it could deteriorate a bit. But it's true as well that on the second half of the year, we expect lower interest rates that could help us to grow in premiums. In a recent meeting with Banco do Brazil, I remember that the Chief Financial Officer as well, he said that things probably could improve in terms of growth during the second and third and fourth quarter. So, we are on the same line.

### **Leandra Elizabeth Clark**

Thank you, José Luis. We have another question on the MAPFRE RE business. Just give me one second please. From the MAPFRE RE business, the question is, what is the reason behind the strong evolution of premiums during the first quarter of the year? The growth in the MAPFRE RE business during the first quarter of the year?

### **Felipe Navarro López de Chicheri**

Ok. We can see that the first quarter of the year was a very good quarter with a very high increase of the gross written premiums, which helped us to offset some of the bad trends that we may have seen in certain markets. What we can say is that this growth of 7% on the reinsurance business was mixed with a 20% increase in global risk. We have to bear in mind that part of the programs have been renewed in this first quarter. So, there will be some kind of seasonality in this figure. But we look very positively to the rest of the year. We need to see how we can improve these levels and continue moving forward in quite a good performance of the reinsurance unit.

**Leandra Elizabeth Clark**

Thank you, Felipe. We're going to stay on the similar topic. We have Max from JB Capital asking about our view on the evolution of prices in the global risk business. And do we expect any positive impact from macro volatility for the global risk business?

**José Luis Jiménez Guajardo-Fajardo**

Well, as always, I mean, it's extremely difficult to make forecasts about the future, especially when you have such a level of uncertainty around. But it's true that in any volatility period, you have opportunities as well. I think we are well prepared. We have a well diversified business in terms of products and geographies and I think that we can profit from this opportunity if things don't deteriorate too much. I would say it is too soon to say, because every day we are seeing news coming in and out with different messages. But I think we are extremely well prepared to deal with whatever comes.

**Leandra Elizabeth Clark**

Thank you, José Luis. We also have a few questions regarding the California wildfires both from Carlos Peixoto from Caixa, and also from Max at JB Capital. The first question is, is it feasible that MAPFRE net profit could be at similar levels in the upcoming quarters despite the impact from the California wildfires? And how much was the impact from provisioning at MAPFRE RE?

**Felipe Navarro López de Chicheri**

Ok. The California wildfires that -- I mean, we said that was impacting EUR85 million net on our accounts. This is, well in the first quarter. We don't see any kind of evolution or negative evolution of these wildfires, that should be already fully booked. The possibility of MAPFRE RE evolving during the year, I mean, we have seen that there was some reinforcement of reserves and these wildfires, both impacting this first quarter combined ratio. There will be an impact of around 1.4%, 1.5% in the combined ratio that is related with this reinforcement of reserves. And the evolution for the coming quarters will depend very much on the evolution of the rest of these secondary perils that we announced -- that we are speaking about in the last years, and the evolution of the hurricane season in the North Atlantic, which is our area of risk that could be affecting the numbers in the future. But we foresee that with the numbers that we have and with the level of premiums, having a normal year, that could be a good year for MAPFRE RE as well.

**Leandra Elizabeth Clark**

Ok. Thank you. We're moving on to the next topic. There's a follow up question for MAPFRE RE from Carlos Peixoto. The specific question is; if we exclude the EUR85 million impact from

the California wildfires, the profit for the first quarter would have been around EUR360 million for the group. Is this a sustainable quarterly run rate for the group?

**José Luis Jiménez Guajardo-Fajardo**

Well, I think we hope so, but you never know. I mean, this reminds us that the wildfires in California has been one of these CAT events that were very difficult to predict. Probably has been one of the largest event in the US history. Fortunately for us, it's something that we can absorb with our CAT budget during the quarter. But looking forward, I mean, we expect from MAPFRE RE a very good performance depending on how things evolve.

**Felipe Navarro López de Chicheri**

Just to be more specific, I mean, MAPFRE RE has in its own nature to have these kind of big Nat CAT events, those big man-made events and those events that can affect dramatically the numbers of MAPFRE RE. If we don't have this kind of events, probably the results of MAPFRE RE going to be boosted for the near future. But in any case, I think that we should expect that, it is normal for MAPFRE RE to have these kind of events from time to time, having secondary perils that are affecting the combined ratio as well. And we should be and live with this kind of business because this kind of business is very much affected by this nature of claims.

**Leandra Elizabeth Clark**

Thank you. Thank you, Felipe. Thank you, José Luis. We're going to move now on to the Iberia business. We've received some questions on motor. I'm going to start with the other lines of business.

**José Manuel Inchausti Pérez**

Can I just start off speaking about MAPFRE RE? I would like to highlight that MAPFRE RE still aims to grow in three areas mainly. We would like to expand our catastrophic book in the US excluding of course the southeast hurricane exposed states. We would like to diversify more into casualty and Life business in Europe. And finally, we would like to increase operations in China, and I remind you that we have recently opened a new subsidiary office in Beijing. So far we are very proud, very happy with our current reinsurance business and we would like to expand it to these fields I have mentioned.

**Leandra Elizabeth Clark**

Thank you, José Manuel. Very interesting. So now moving on to the Iberia business, we're going to start with questions we've received on General P&C. We received from Paz Ojeda at Bank Sabadell. What is the reason for the increase in reserves and both in burial and

commercial lines in Spain? What impact has it had on the combined ratio? Is this a one-off and will it continue in the following quarters? First of all, I'd just like to clarify that the increase in reserves only applies to the burial business, not to the commercial lines. What we stated during this presentation is that there was a higher number of reserves in the commercial lines business, and the impact on combined ratio was around 3 points. I'm going to hand the floor over if the team would like to add anything else on that.

**Felipe Navarro López de Chicheri**

Just to specify that this adaptation of the reserves on the burial business is something that we do during the year normally and happens every year just to adapt to the transitory measures that we are applying on this business. So is something that is usually done during the year. This year it's true that we have done it fully booked in the first quarter, but I mean, it's something that is normal during the year.

**Leandra Elizabeth Clark**

Thank you, Felipe. We also received another question regarding the health and accident combined ratio for the Iberian region; what's behind the strong improvement?

**José Luis Jiménez Guajardo-Fajardo**

Ok. Thanks, Leandra. It is true there has been a strong improvement in this segment with the combined ratio down around 14 points to around 90%. The attributable result improved as well from around breakeven last year to over EUR23 million in the first quarter. And this business segment historically experienced strong seasonality with higher losses on the first quarter of the year and the ratio tended to improve gradually quarter on quarter until year end. Now the premium has been adapted to this seasonality and we should expect a strong performance throughout the year. This has led to a strong increase in net premiums earned, up 16% year-on-year in health and accident business. Finally, I mean, last year, we finished the year with a combined ratio of around 97%. We should expect similar or improved performance this year.

**Leandra Elizabeth Clark**

Thank you. We have another question regarding the Life business. Do you expect a recovery in volumes for Life savings in Spain for this year?

**José Manuel Inchausti Pérez**

I would say yes. The performance in the first quarter has been affected by an excellent beginning in the first quarter of the previous year. So, I think we will be recovering the Life premiums growth in the next quarters.

**Leandra Elizabeth Clark**

Thank you. We're receiving quite a bit of questions on the motor business. So maybe it's time that we move on to the motor business. Alex Mackenzie from BNP comments that the improvement in the Spanish auto combined ratio has been remarkable. Could you please explain whether there have been any reserve releases in the quarter and how that compares to the reserve movements in Q1 2024? How has the weather experience been in Q1 or how do we describe frequency in the first quarter? I mean, I think most of the questions we're receiving is they'd like to know is there anything extraordinary in these very strong first quarter results for motor in 2025?

**Felipe Navarro López de Chicheri**

Ok. That is a very interesting question. I mean, I think that the main topic here is how the motor evolved in the first quarter in Spain. There is nothing extraordinary in the first quarter. I think that if we look at the frequency, it should be a little bit lower than the first quarter last year. But I mean, it should be on similar levels. Probably, what we have seen is that, there was and we mentioned this that was certain reinforcement and revision of the reserves last year, because there was this evolution of the reserves on the personal injuries that were affecting the numbers that we have been presenting. So, there was this twofold consequence. First, the earned premium that is feeding into the profit and loss account, which is evolving in the positive way.

And the second is that we are not putting any extra level of reserving on the personal injury. But for the rest, I think that we are just moving forward with a normal first quarter of the year, which has had these rains and these weather events, but nothing that is going to be affecting more or less than different quarters. So, we should see this kind of evolution during the year. There was nothing extraordinary during this first quarter.

**José Luis Jiménez Guajardo-Fajardo**

If you allow me to dive a little into the weather situation, I mean, the weather obviously has been relatively benign during the first quarter. Although we have to say that Spain has been probably the country where we had more rain across all Europe. So, this part, we have such period of I would say heavy rains that we managed extremely well.

**Leandra Elizabeth Clark**

Thank you. We received a group of questions from Paco Riquel at Atlantra, Max at JB Capital, Juan Pablo from Santander, and David Barma from BofA. And they're all looking at a very similar topic, which is the fall in the policy count in motor in Spain. They want to know do we need to moderate increases in tariffs to stop the policy cancellations. They'd also like to know what type of customers are we losing, and should this stop? And in general, where do we see average premiums and policies evolving in the coming quarters?

**José Manuel Inchausti Pérez**

Let me make some considerations. The first thing is we are very selective on adjusting tariffs to each type of customer, depending on their circumstances and the type of business. What I will say is the -- generally speaking, the retention rate we haven't seen a decrease on that rate. So we have a very solid retention rate and the lowering of the retention rates is affecting the very high claims ratio customer and so the loss of customers is concentrated in these two types of customers. For the rest, retention rates are sustainable, and conversion rates are still going well within our networks.

**Felipe Navarro López de Chicheri**

And also, I mean, if you allow me José Manuel to add something, probably what we did last year and probably we have continued slightly during the first quarter has been the pruning of fleets, where we saw that they had a higher combined ratio. So, we preferred to cut this line of business a little bit. We are still doing fleet insurance, of course, but probably with lower units compared to last year. The important thing is that last year our average premium grew more than the market, around 2 points. And the figures that we have for the first quarters, we are more or less aligned with the market, with the same rates.

**Leandra Elizabeth Clark**

Thank you. We just had one other question coming in specifically from Paco Riquel from Alantra. He would like to know if the Q1 results were affected by the Easter holiday. I think we had already mentioned that there was nothing extraordinary in these results, but maybe someone else would like to add something.

**Felipe Navarro López de Chicheri**

Just to mention, I mean, usually Easter holiday is a period where there are usually less claims, coming from this specific week and they're spilling these kinds of claims in other weeks during the year. In this case, Easter was in April. So, there is nothing affecting dramatically the Easter in this first quarter. So, we should see this quarter as a normal quarter in the company for this year. There is nothing affecting this.

**Leandra Elizabeth Clark**

Thank you, Felipe. And we have one more question on motor, and it asks why the average motor claim costs seem to have come down so quickly during the quarter and even more than expected. Is there any explanation for this? And the second question is are the baremo updates complete? And the third question is where do we see the Spanish motor combined ratio in the coming quarters? Will it improve from this 98% level?

**José Luis Jiménez Guajardo-Fajardo**

Let me make a general consideration. We have been working on controlling the motor combined ratio in every country for the last three, four years after Covid. And this is not a lucky thing; it is a tendency that will continue in the coming quarters because all the measures that we have taken lead to improve this combined ratio. So, we expect good news in the coming quarters.

**Felipe Navarro López de Chicheri**

If I may add on the average cost of the claim, I think that what we have seen and we already mentioned was that -- on personal injuries, last year, we made a deep revision and deep understanding of the evolution of the different personal injuries claims we're going to have. This was done and executed during the last quarter last year. And what we have seen during this quarter is a normal evolution of the claims. So, it is not that we have an average lower claim during this year, but I mean, this is something that if we take out this evolution of the third quarter last year, we should have the normal one. And I would mention as well that what we are seeing as well is that the price increases and the adaptation that José Manuel was mentioning before is feeding into the profit and loss. So, the direct consequence is that the combined ratio is going to improve and it's what we have seen in this first quarter.

**Leandra Elizabeth Clark**

Thank you, Felipe. So, I think -- well, thank you for that excellent overview of the Iberian business. Now we're going to move on to the North American business. We have two questions. The first one is from Paz Ojeda at Bank Sabadell. Specifically, she would like to know about the impact of tariffs on average claims costs and insurance rates in the US business.

**José Luis Jiménez Guajardo-Fajardo**

Ok. Thank you, Leandra. Well, as I said at the beginning, I mean, it's quite difficult to measure the impact right now basically because all the news that we are receiving change from one day to another. Probably if you asked the same question, I would say on Monday that we were expecting a 25% increase in tariff to car parts as well as steel and aluminum, which probably is still very important for the car industry. Right now, it seems that this tariff won't happen. That's the latest news that we already have, but probably this could change. I think we are well prepared in the US. We did a lot of technical measures during the last two or three years.

The combined ratio is down below 100%. Probably we expect even to try to improve this in the coming quarters. So, we are confident. It is true that the regarding what we call right now geopolitical risk is something that we cannot measure and do proper planning looking

forward, because it's extremely difficult. But after Covid, I would say companies are well prepared for these kinds of events, much better than probably, I don't know, five years ago. So, we do not expect right now a big impact on this.

**Leandra Elizabeth Clark**

Thank you, José Luis. We also had another question on Germany right now. The question is if you could comment on the German motor business and where we see it going in 2025, the German Motor business and the evolution of the combined ratio?

**Felipe Navarro López de Chicheri**

I mean the situation of the German motor business is not affecting only MAPFRE, it's affecting the whole industry as we mentioned in previous presentations. The measures that have been taken in Germany should take this line of business back to profits in the following quarters. But for the moment, we need to bear in mind two things. First, most of the renewals happen at what they call the year end business. So, it's business that's been renewed during December and January and this is going to be affecting and speeding on during the year.

So, it takes time in order to move ahead with adaptation of prices to the reality of the company. And second is that all the industry is in a similar situation. So, we are moving ahead together with them in order to rebalance and put this line of business into profitability again, but it's going to take time. It's not easy, it's longer than in other countries, but it's moving ahead and the numbers that we have for the moment are very hopeful and looking positively at the future. So that is something that we need to solve and that is going to be solved in the future quarters.

**Leandra Elizabeth Clark**

Thank you, Felipe. We received a follow-up question, and specifically Paz would like to know what the motor combined ratio in the German market is and how it's evolved during the year. I think basically what we can say is, and we had mentioned it last year, of course, it's above 100%, but the strong improvement you're seeing in the EMEA region is largely driven by the improvement in the ratio in Germany. Thank you. Going back to North America, we've received another question on the combined ratio in motor, and again Max from JB Capital would like to know if there is anything extraordinary in this good performance. And also, given the recent premium increases, should we expect this combined ratio to improve even further?

**José Luis Jiménez Guajardo-Fajardo**

I think we discussed this a little bit earlier, but I will say that there is nothing extraordinary. Maybe a little bit of benign weather on the first quarter, that's all. And yes, I mean, we hope, and we work harder in order to try to improve the combined ratio further.

**Leandra Elizabeth Clark**

Thank you, José Luis. Now we're going to move on to the rest of Latin America. Paco Riquel from Alantra would like us to comment on the performance in the other markets outside of Brazil. What countries and businesses are contributing the most? How sustainable is this contribution? And in general, what's behind the strong technical results and where should we see the combined ratio?

**José Luis Jiménez Guajardo-Fajardo**

Ok. I mean, regarding Other LATAM, I think the performance has been incredible, I mean, just in line with our strategic plan. I mean, most of the countries are contributing quite positively. I would like to remark in the case of Mexico, Peru and Colombia they are probably the key markets in the region with the exception of Brazil. But also on the other hand, we have seen strong improvements in countries like Panama, Honduras as well as even Argentina. Maybe it's a quite difficult market due to the macro picture that they are dealing with. But despite that, I think we see a more positive view on Argentina right now.

And with the new introduction of the just the new balance for the exchange rate, we are confident that probably even Argentina could improve further in the coming quarters. But in general, I would say Other LATAM has really performed well, and we expect this trend to continue in the coming quarters. It is true that with such level of uncertainty that we are dealing with, it's extremely difficult to do forecasts about the future. But we tend to believe as well that Latin America could perform extremely well in this new geopolitical or new world order. Because if the new agreements with Europe and probably as well with the US, maybe it's a region that can take profit of this uncertainty in the coming years.

**Leandra Elizabeth Clark**

Thank you, José Luis. We just received another question from Alex Mackenzie of BNP. He would like to know if we have an estimated impact of the recent FX moves in the US dollar and Latin American currencies on our shareholders' equity, solvency and on earnings for the rest of the year. Maybe we can share some light on that.

**José Luis Jiménez Guajardo-Fajardo**

Probably I would say not too much. The impact is not great. I mean, it's a normal impact as we have had in past years. But it's important to say that probably the figures we are looking at right now maybe could change completely in the coming months, because we are seeing that these tariff policy are changing completely. So, we have seen big movements on the US dollar and the US dollar as well is affecting overall emerging market currencies. But this is something

that we get used to. I mean, due to our geographical footprint, this is something that shouldn't be a concern for us. We know how to deal with that and probably we expect that we have some kind of mean reversion in the coming months if things are more stable and the uncertainty is reduced.

**Felipe Navarro López de Chicheri**

Just to mention that we are coming from a situation where our balance sheet is extremely strong and the level of solvency that we announced today that we -- this last update on the numbers that were going to be communicated by the end of May is that we are at a 207% solvency II ratio which is excellent for -- it is in the higher part of the range.

**José Luis Jiménez Guajardo-Fajardo**

And if we add the transitional measures as well, this figure moves up to 214. That's the figure to compare with other peers.

**Leandra Elizabeth Clark**

Thank you. On a similar note, we just received a question from Juan Pablo in Banco Santander asking about our very strong solvency levels at 207%, and at the higher part of the range. And what he would like to know is; if capital continues to build up, do you have any plans to allocate this excess? Max from JB Capital is also interested in that. Where do you want to deploy the excess and do you have a preference of dividends, M&A, maybe share buybacks?

**Felipe Navarro López de Chicheri**

There are very limited possibilities of any kind of share buybacks. Regarding M&A, I think that we've been constantly sending the same message that we are looking for opportunities. We are looking into very specific markets which as we usually mention, like Spain, Germany, in LATAM, probably Brazil or Mexico and a certain complementary business to the one that we have in the US. Those are the areas where we're looking at. We are not in a hurry, and we will continue building and looking for opportunities. It is not something that we need to do in the short-term.

On the dividend distribution, I think that we need to mention what the Chairman of the group said already. If we continue growing in profitability, the dividend should continue growing at the same pace. The minimum of 50% of distribution of dividends has already been mentioned by the Chairman at the last AGM. So, we continue in the same trend. The numbers that we are posting are within the range that we have already mentioned, and in this case, we are a little bit higher than the 200%. But in other cases, we've been a little bit lower than the 200% and nothing was decided or moved dramatically. I don't know if José Manuel or José Luis, do

you want to add something to this?

**José Luis Jiménez Guajardo Fajardo**

I mean, the dividend has grown during the last three years in a row and if things go well and we continue improving on the technical side and there is not or maybe a lower uncertainty looking forward. It all depends. I mean as the Chairman said, if the business grows, the profit grows, probably the dividend will grow as well, but it's too soon to say.

**Leandra Elizabeth Clark**

Thank you. We seem to have no further questions. I want to thank you all for your time today. Before we say goodbye, I'm going to hand the floor back over to José Manuel, so he can just make a few closing remarks.

**José Manuel Inchausti Pérez**

Thank you very much and thank you all for your questions. Just to remark the improvement on the technical performance of the company, with a Non-life combined ratio of 94.1%; 1.7 points of improvement. General P&C is deteriorating a little bit by 0.7% and especially I would like to remark the improvement in motor insurance. Motor insurance has been our focus in the last three years. We were worried about the impact of inflation rates in our combined ratio, and now the improvement is of about 6 points compared with last year. So, we are very happy with that. It's satisfaction for. For all of us to share these results, and 99.3% is not a final end of the combined ratio, but it's a great advance to recover the profitability in the motor insurance ratio.

Our main operations are Spain and US, which are between 98% and 97%, and the other big operation Brazil which is around 102%. I would like to give the reminder that given the high interest rate which is about 14%, it's impossible to ask an operation like Brazil to have better performance in the motor combined ratio. So, we are very happy with the results and we expect further improvements in the next quarters, but everything according to the long-term strategy that we have deployed some years ago.

**Leandra Elizabeth Clark**

Thank you. Thank you for your time today and goodbye.

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